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C O N F I D E N T I A L PRAGUE 001343

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EUR/NCE FOR FICHTE, PM FOR DOWLEY, OSD FOR SADOWSKA

E.O. 12958: DECL: 10/25/2016  
TAGS: [PGOV](#) [PREL](#) [EZ](#) [NATO](#) [EAIR](#) [MARR](#) [VE](#)  
SUBJECT: CZECH GOVERNMENT ALLOWS AIRCRAFT MANUFACTURER TO  
TALK TO VENEZUELA

Classified By: Acting Political Economic Counselor Karen Reider  
for reasons 1.4 (b) and (d)

¶1. (C/NF) Summary: The Czech Government has given L-159 subsonic fighter manufacturer Aero Vodochody permission to begin discussions about Venezuelan financing for the production of a new version of the L-159, which would have no U.S. content. This decision by Czech authorities stems from heavy domestic political pressure in advance of the 20-21 and 27-28 October Senate elections, in which the Czech Foreign Minister is a candidate. A senior Czech MFA official predicts that the MFA will reverse course after the elections and that any application by Aero Vodochody for permission to sign a deal with Venezuela will be rejected. He also believes that the recently-selected future buyer of AeroVodochody plans to phase out the entire subsonic fighter program. End summary.

¶2. (C/NF) Poloff met October 26 with MFA Director for Common Foreign and Security Policy Vaclav Balek. Balek shared that Czech licensing authorities (in an interagency process led by the Ministry of Industry and Trade) had decided to accede to Czech aircraft manufacturer AeroVodochody's request to negotiate with Venezuela about the financing of a subsonic fighter. It was not clear whether this meant Venezuelan Government or private financing. Such an aircraft would be similar to the L-159 that was developed as part of a now-defunct collaboration with Boeing, but would differ in that the U.S. avionics and engines would be replaced with non-U.S. content. Balek said that this decision had recently been taken at the ministerial level, but was not a Czech cabinet decision. Balek believes the MFA decided to give its consent to hedge against possible criticism from opposition left-wing parties that the ruling Civic Democrat government was favoring U.S. interests over local job creation. (Note: Czech Foreign Minister Alexander Vondra is a candidate in the current election. He is expected to win, despite criticism from the left for supporting the U.S. on missile defense. End note.)

¶3. (C/NF) Balek emphasized that the license authorized Aero Vodochody only to talk, not sign a deal or begin production. Any deal would require a full license application that would likely receive a negative answer. Balek agreed with Poloff that the Czech Government is in no doubt about USG attitudes to any kind of military cooperation with Venezuela. He agreed to provide any new information as it developed. Balek also observed that Penta, the recently-selected future buyer of Aero Vodochody, had declared three objectives: Aero Vodochody's airport close to Prague, continued parts manufacturing for firms such as Sikorsky, and continued cooperation with the Czech armed forces. The objectives did not include continuation of the subsonic fighter program.

14. (C/NF) Comment: Balek implied that the decision would have been different if it involved a deal rather than a mere negotiation. The Czech Government is itself no friend of the Chavez regime. It strongly opposed Venezuela's candidacy for a seat on the UN Security Council, it has turned down requests from Venezuela to purchase Czech arms, and it is conducting an ongoing criminal investigation based on U.S.-provided intelligence relating to Venezuelan production of Czech handguns. This does appear to be a case of domestic political pressure during an election cycle leading to an unfortunate, though limited result. FM Vondra, a former Ambassador to Washington, has been politically vulnerable in recent days to allegations that he is too close to the United States. By issuing this instruction he may have sought to avoid adding to the difficulty of his Senate race. Even so the Czech Government knows that this sends an unfortunate message and that the United States is watching closely. End comment.  
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